

November 18, 2002

The Honorable Mark E. Rey  
Office of the Undersecretary for Natural Resources and Environment  
U.S. Department of Agriculture  
Whitten Building, Room 217E  
1400 Independence Avenue, S.W.  
Washington, DC 20250

Dear Mr. Rey:

The purpose of the letter is to encourage the United States Department of Agriculture (USDA) to design an Environmental Quality Incentives Program (EQIP) that focuses on our nation's most pressing environmental needs. With the increased funding levels for EQIP provided by the 2002 Farm Bill, USDA is uniquely positioned to contribute to significant environmental progress in carrying out the purposes of the statute "to promote agricultural production and environmental quality as compatible goals, and to optimize environmental benefits..." (16 USC §3899aa). EQIP can achieve significant progress in advancing the health of our nation's air, watersheds, wildlife habitat, and topsoil utilizing a voluntary, incentive-based program. However, to achieve measurable, substantial environmental benefits, the program should focus its funding on the most pressing resource concerns, utilize existing expertise, track its results to ensure that it is operating effectively, and reward performance.

Designing the EQIP program to address our nation's most pressing environmental needs would also assist USDA in fulfilling the following portions of its statutory purpose (16 USC §3899aa):

- assisting producers in complying with national regulatory requirements concerning (A) soil, water, and air quality; (B) wildlife habitat; and (C) surface and ground water conservation;
- reducing or avoiding the need for resource and regulatory programs at the national, state, and local levels, by assisting producers in protecting soil, water, air, and related natural resource concerns;
- consolidating and streamlining conservation planning and regulatory compliance processes to reduce administrative burdens to producers and the cost of achieving environmental goals.

I appreciate that the 2002 Farm Bill requires that 60% of the EQIP funds be targeted to practices related to livestock production. I believe that this allocation will provide an important source of funds that can be used to address environmental concerns arising from animal feeding operations. I urge USDA to leverage these funds to promote advanced technologies and innovative approaches that achieve superior environmental performance.

To support USDA in its effort to achieve measurable environmental benefits using EQIP funds, I offer the following examples of some of our nation's most important environmental needs that could be addressed with the help of agricultural producers. The clear identification of national environmental needs could also provide valuable guidance in the identification of conservation priorities at the State and local level. The following suggestions are examples only and I encourage USDA to identify additional needs and/or to refine the list below as appropriate:

- Water quality: Reductions of non-point source pollutants in impaired watersheds, consistent with approved TMDLs where applicable. Development and implementation of Comprehensive Nutrient Management Plans to reduce livestock-related nutrient runoff.
- Air quality: Reduction of precursor pollutants (e.g., ammonia) that contribute to violations of the National Ambient Air Quality Standards in non-attainment areas.
- Wetlands: Preservation of wetlands on agricultural lands, particularly high-value wetlands (e.g., prairie potholes).
- Wildlife habitat: Promotion of at-risk species recovery consistent with the Endangered Species Act.

USDA could also explore the potential for recognizing these needs through the establishment of "national conservation priorities". This would be consistent with the statutory provision assigning a higher priority to assistance and payments that "address national conservation priorities." Explicitly incorporating "national conservation priorities" in the EQIP funding criteria provides well-defined measures of environmental benefits and would help to achieve the statutory purpose of "optimizing" environmental benefits.

In seeking to optimize environmental benefits within the constraints of available program resources, USDA should also consider structuring the EQIP criteria in a way that achieves maximum leveraging of state, local, and private funds and expertise by:

- rewarding performance,
- encouraging innovation,
- promoting cost-effective conservation practices, and
- fostering important stewardship activities that would not be addressed in the absence of this program.

USDA could track EQIP performance by requiring that all States develop an evaluation process to quantify and track results in addressing identified priorities, including national, State, and local priorities. Results obtained from the evaluation process should be reported to the public, possibly through the Administration's Common Measures Initiative. Results measures should be outcome-based (e.g., improvements in ambient water quality) rather than program-based (e.g., acres enrolled) to the extent practicable. To maximize efficiency and leverage existing expertise, I encourage NRCS staff to work with other agencies such as the United States Environmental Protection Agency and the United States Geological Survey to develop monitoring and evaluation tools.

I recognize that USDA is working hard to ensure that EQIP does in fact achieve its stated goal of realizing the environmental benefits anticipated by the statute. I hope that these suggestions assist with this complex task. I also appreciate the fact that USDA and OMB staff have already begun discussion to address these issues, and I am looking forward to further discussion during OMB's review of the proposed EQIP rule. My staff is eager to continue assisting you with this effort.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Graham". The signature is written in a cursive style with a large, looping initial "J".

John D. Graham  
Administrator  
Office of Information and Regulatory Affairs